

CENTER FOR LAW AND SOCIAL POLICY

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4:00 p.m. EST

OPERATOR: Ladies and gentlemen, the conference call the U.S. Budget and Low-Income Families, Representative Jan Schakowsky's Inside View is about to begin.

I'll turn the floor over now to Mike Laracy.

MICHAEL LARACY, COORDINATOR, PUBLIC POLICY, NE CASEY FOUNDATION: Hi. I'm Mike Laracy of the Annie E. Casey Foundation, which is very proud to support Spotlight on Poverty and Opportunity, the Source for News, Ideas and Action. Spotlight is a cosponsor of this special national audio conference with Congresswoman Jan Schakowsky, who will be offering her inside views on recent congressional budget developments.

Spotlight is a nonpartisan initiative designed to offer a big ton of ideas. In fact, we hope to announce another audio call that will provide a republican insider's perspective on budget developments. What you also need to know about Spotlight is we are a one-stop shop for research and news on promoting opportunity and reducing poverty.

To introduce the congresswoman, I give the floor to John Bouman of the Shriver Center, the other cosponsor of this event.

John?

JOHN BOUMAN, PRESIDENT, SHRIVER CENTER: Thanks, Mike.

The Shriver Center is a nonprofit law office located in Chicago that uses policy development communications and diverse advocacy strategies to promote opportunity and social justice here in Illinois and across the country. We've worked with Jan Schakowsky on many issues over a long period of time. She was a talented and effective leader in the Illinois legislature, coming from an organizing and consumer activist background. So it was no surprise to us when she quickly rose to a leadership role in Congress after being the first elected to represent the Illinois Ninth District in 1998.

Among her many roles and areas of expertise, the two most relevant to today's topic are that Representative Schakowsky is chief deputy whip for the House Democrats and was a member of President Obama's National Commission on Fiscal Responsibility and Reform, where she authored a minority report with ideas to bring down the deficit without cutting Social Security, Medicare or Medicaid.

Today's topic, the U.S. Budget and Low-Income Families, reminds us that the budget is indeed vitally important to low-income families, that fact is central to Representative Schakowsky's approach to these complex issues. We're pleased to have her with us today to share her knowledge and expertise.

Mike?

LARACY: Before Congresswoman Schakowsky begins her remarks, just a brief note on our format. Our guests will speak for about 5 to 10 minutes. Then we will give any media a chance to ask for questions for about another 5, 10 minutes. The media may ask questions simply by hitting star one on their telephone keypad to be into a queue. The operator will then announce their name and media outlet before each media question is asked. The media can start queuing up at any point during the representative's remarks. You need not wait.

If you're not the media, you also get to ask questions. Just e-mail those questions to this simple address, audioconference@clasp.org. Audio conference, one word, at CLASP, C-L-A-S-P, dot org. You can send

those in now or at any time, and Jodie Levin-Epstein of the Spotlight team will ask those questions of the representative in our final 10 minutes.

Congresswoman Schakowsky, please let me add my thanks to you for joining us today. And now, please share with us your inside views.

JAN SCHAKOWSKI, REPRESENTATIVE, U.S. CONGRESS: Thank you, Mike, and thank you, John Bouman, we have worked together. But your assignment, John, if I go over the time, I give you permission – in fact, I ask you, please, to tell me to stop, and we'll go right to questions.

I thank everybody who's on the call. Congress is currently debating the most fundamental question that we face as a nation, what is our responsibility to each other? What's the role of government in our lives? What kind of country do we want to leave to our children and future generations? What are our priorities?

A few weeks ago, President Obama reflected on this question, and he said – I'm quoting from the speech he gave about the budget, quote, "We're a nation that built a railroad across a continent and brought light to communities shrouded in darkness. We sent a generation to college on the GI bill, and we saved millions of seniors from poverty with Social Security and Medicare. We have led the world in scientific research and technological breakthroughs that have transformed millions of lives. That's who we are. We don't have to choose between a future of spiraling debt and one where we forfeit our investments and our people and our country," unquote.

And I agree with him. As I said last year, when I was appointed to serve on the President's National Commission on Fiscal Responsibility and Reform, addressing our fiscal challenges is not a mission impossible. There are many different ways to achieve the goal of fiscal balance. But we can't achieve that goal without considering how real people will be affected by the choices we make.

Are we going to ask those who are already struggling to give up more, or are we going to ask those who have enjoyed the lion's share of income growth over the past decades to contribute their fair share? These are the questions we have already faced in this year's battle from preventing a government shutdown to the passage of Representative Paul Ryan's devastating Republican budget in the House of Representatives. These are the questions that we're going to face in the upcoming debates from raising the debt ceiling in order to prevent an economic catastrophe by defaulting on our debt obligations to consideration of a long-term deficit plan.

Two weeks ago, the Republicans passed a budget in the House that laid their priorities. There aren't any surprises here. The Republicans want to cut taxes for corporations and the rich, protect subsidies for oil and gas companies, and not only doesn't the Republican budget raise revenue, it actually includes more than \$1.8 trillion in tax cuts as compared to the President's budget, including cutting the top rate for individuals and corporations to 25 percent.

Their budget would cut – would gut education programs and investments in job creation and tear down Medicare and Medicaid, doing enormous harm to seniors, children, low-income families and the disabled. According to an analysis done by the Center on Budget and Policy Priorities, 2/3 of the spending cuts come from programs that help low-income people – hurting those who need help the most.

The average Social Security benefit for women 65 years and older is \$12,000 a year, \$2,000 less than men. The average out-of-pocket spending for older women on Medicare is \$4,500. Seven in 10 rely on Medicaid for help, and the Affordable Healthcare Act, the new healthcare bill, provides assistance to help older women pay for health and long-term care, but that help is repealed in the Republican budget. Instead, the Republican budget actually makes it even harder for older women and men.

It would eliminate Medicare and shift cost to seniors. The Republican voucher will leave seniors to pay 68 percent of the cost of healthcare coverage instead of the 25 percent they pay today. And even then, seniors will have to wait longer since the Republican budget raises Medicare eligibility age, and it destroys Medicaid, the nation's primary source of long-term care. Half of all seniors have less than \$19,000 a year

in income. That's the median income for people over 65. So how do we expect them to pay for nursing home costs, an average of \$72,000 a year, without Medicaid?

The republican budget does much more to harm seniors and their families and would also reduce nutrition programs. The Ryan budget would cut the SNAP funding you all know, right, the old food stamp program, by \$127 billion over the next 10 years, \$4.9 billion in my state of Illinois. That's nearly a 20-percent cut. The Ryan budget would turn SNAP into a block grant and assume major savings through discouraging states from enrolling eligible people and making receipts of benefits contingent on work or job training.

If the cuts were to come solely from eliminating eligibility for categories of currently eligible households or individuals, between 8 and 10 million people would be cut from the program, depending on the initiation date for those cuts. This would mean more than 300,000 people in Illinois alone would lose SNAP benefits. If the cuts were to come solely from across-the-board benefit cuts, the maximum SNAP benefit would have to be set at 88 percent of the Thrifty Food Plan, TFP, USDA's estimate of the minimum amount a family needs to afford a bare-bones nutritionally adequate diet. It's currently set at 100 percent. Under this scenario, qualifying families of four would see their benefits cut by \$147 a month in fiscal year 2012, or \$1,764 on an annual basis.

Both the Obama and the Van Hollen democratic budgets would restore the \$2.2 billion in SNAP funding cuts made to pay for the Child Nutrition Reauthorization Act in December. Both budgets would maintain full funding of SNAP benefits at 100 percent of the TFP for all eligible recipients. Nationally, 79 percent of SNAP households contain either a child or an elderly or disabled person, and these households receive 86 percent of SNAP benefits issued.

The Republican budget, I feel, is a war on seniors and the poor. It's also part of the ongoing war against the middle class. As you all know, the middle class is disappearing. Over the last 30 years, there's been the most dramatic and deliberate transfer of wealth from the middle class to the rich, the very rich, and especially the very, very rich. Income inequality is now at levels that haven't been seen since 1928. Wages have stagnated for middle and lower-income families despite enormous gains in productivity. Where has the money gone?

The top 100th of 1 percent now make an average of \$27 million per household per year. The average income for the bottom 90 percent of Americans, \$31,244. In the United States today, the richest 1 percent own 34 percent of our nation's wealth, more than the entire bottom 90 percent, who own just 29 percent of the country's wealth. And at the very top, wealth is even more concentrated. In 2007, the combined net worth of the Forbes 400 wealthiest Americans was almost as much as the combined net worth of 150 million Americans, 50 percent of Americans. I believe this extreme inequality in income and opportunity is the biggest crisis facing our nation, and I believe that the Republican budget policies would make it even worse.

The cuts in domestic spending that the Republicans proposed in H.R.1 would have caused an additional 700,000 middle class Americans to lose their jobs, the experts have estimated. Their proposed cuts in education would prevent millions of Americans, young and old, from getting the skills they need to compete in today's global economy, and their cuts in nutrition, environmental protection and public health will leave millions with preventable health problems.

There is another way. I did offer a plan last year as an alternative to the Fiscal Commission's recommendation. The focus is on creating jobs so that 15 million Americans now unemployed can become taxpayers, focuses on the wealthy and corporations paying their fair share and on cutting waste, not opportunity. Putting people back to work should actually be the first step in deficit reduction, as more workers will raise revenues and reduce the burden on safety-net programs.

And last month, I introduced the Fairness in Taxation Act, which would create new higher tax brackets for millionaires and billionaires. It's time for those who have more to pay more. It's time for millionaires and billionaires to pay their fair share. This isn't about punishment. It's not about revenge. It's about fairness. Currently, the top tax bracket starts at \$373,000, failing to distinguish between the well-off and billionaires.

The Fairness in Taxation Act would enact new tax brackets beginning at 45 percent for income over \$1 million and rising to 49 percent for income at \$1 billion or more, and there are people that made a billion dollars last year.

Historically, these rates have been relatively modest. During most of the Reagan Administration, the top income tax rate was 50 percent, and over the prior four decades, the top rate was as high as 70 and 77, 91 and even 94 percent. It would also address a fundamental inequity in our current law by taxing capital gains and dividends at ordinary income rates in those brackets. Right now, rich hedge fund managers like John Paulson, who is reported to have made \$5 billion last year, are paying a lower rate than their secretaries on much of their income because it is taxed at the capital gains and dividend rates of 15 percent.

According to Citizens for Tax Justice, the Fairness in Taxation Act will raise more than \$74 billion if enacted in 2011, allowing us to avoid the harsh cuts that will hurt the middle class. This is an idea that the public supports. In a Wall Street Journal poll conducted on March 2, quote, "The most popular way to reduce the deficit was placing a surtax on federal income taxes for those who make more than \$1 million per year." Eighty-one of respondents supported that idea.

I'm almost finished here.

LARACY: OK, I just going to say while you finish up, just remind people audioconference@clasp.org will take a couple of those questions as soon as Jan wraps up.

SCHAKOWSKY: Just another 10 minutes. In another NBC Wall Street Journal poll, 76 percent of the public opposed making cuts to Medicare, and 67 percent opposed cuts to Medicaid. The Fairness in Taxation Act should be part of the discussion on fiscal policy as it will allow us to stop the war on the middle class, et cetera. When politicians and pundits talk about adjusting fiscal challenge, you hear the term "shared sacrifice" a lot, that everyone should expect to sacrifice so that we can get our fiscal house in order.

What I think has been missing in this debate is that many, if not most, Americans, have been sacrificing for years. The shrinking middle class, the stagnant wages while healthcare costs, housing costs, educations costs rise. The economic collapse, fueled by Wall Street greed and the Bush Administration turning a blind eye to it, cost millions of Americans their jobs, their homes and their retirement savings. I hear from constituents who have been searching for jobs for almost 2 years. They've submitted hundreds of applications, heard maybe one or two back, but still don't have work. And their unemployment benefits are about to run out.

So I believe we have a responsibility to each other, not just our friends and neighbors, but those we don't know who are in need of help. And I believe we should leave our world better off. We can choose a budget path that achieves those goals and reduces the deficit and puts our fiscal house in order, or we can choose to help the super rich get richer at the expense of everyone else. And to me, the choice is very clear.

The end.

LARACY: Thank you. Thank you very much.

Jodie, what questions do you have?

JODIE LEVIN-EPSTEIN, SPOTLIGHT: Let's see if James, our operator, has any media calls lined up there.

James?

OPERATOR: And thank you, Jodie. It seems that there are no questions from the media, so ...

LEVIN-EPSTEIN: Terrific. Then let me first tell the audience you're doing a good job of sending in questions. Keep doing that to audioconference@clasp.org so we can read aloud your questions. And I want to first begin by saying that a number of people have written in frantically saying, "Oh, how do I get the Congresswoman's remarks?" Relax. They will be sent to you, a transcript of this entire audio call. So those of you who have been writing notes furiously and were fearful you couldn't keep up, you need not worry. We'll get those remarks to you.

A number of people, Congresswoman, noted that you had pulled together from a variety of different issue areas the stats that they needed. So that's very helpful. Thank you ...

SCHAKOWSKY: Great. I'm happy to get them that. Yes, and we can also source a number of other places that there is lots of really good information.

LEVIN-EPSTEIN: Super. That's terrific. A question right up front here is how much of the deficit reduction dispute seems likely to be handled in the debt ceiling negotiations? And a corollary question is, "Do you agree with handling any of it there?"

SCHAKOWSKY: No, I don't agree with that, because, look, most countries automatically raise their debt ceiling. This is about the full faith in credit of a nation, whether or not we're going to pay our bills, whether or not there's going to be value to the bonds that of the treasury notes, et cetera. And so you know for most, it's an automatic issue.

Were the debt ceiling not to be raised, Wall Street would crash. We would immediately go into a double-dip depression. It is very serious when the United States can't be trusted to fulfill its obligations. Now, there may be an effort to say, well, in order for us to vote for that, then we're going to try and extract this, this or this. That's a very responsible approach. Even John Boehner says that the adults in the room have to be sure that we just raise the debt ceiling. He has said that.

So what I'm hoping for is that the idea of a clean debt ceiling increase will happen. That's not to say that we don't want to do a number of things in order to reduce the deficit, but there should not be a contingency. There'll be a battle on this, but I do think that the interest of Wall Street will help the Republicans see that it would be very foolish to hold the debt ceiling increase hostage in order to get certain concessions. Those should be two separate conversations. I hope they will be.

LEVIN-EPSTEIN: We have a question here from Dan Driscoll Shaw asking, "What is your vision regarding the military budget?"

SCHAKOWSKY: Yes. When I looked at the military budget in the fiscal commission, – and by the way, the Simpson-Bowles version of the report cut about \$100 billion from the military also. I cut about \$110 billion from the budget and looked at a number of the weapons systems and the presence of military troops all over the world, the size of that presence. Of course I looked at Iraq and Afghanistan and the well over \$1 trillion that we've been spending there as a place that we could reduce the deficit. And the President, and anybody, really, who's sensible, including the number of the Republicans working in the Senate that were on the deficit commission, you can't leave out the military budget. It's a discretionary budget, and we should definitely be cutting there.

Secretary Gates, the soon to be leaving, but you know well-liked in a bipartisan way secretary of defense agrees with that. And there can be and should be substantial cuts in the military budget. Note, I don't say defense, because I think we can make lots of cuts that don't weaken the defense of our nation and don't take it, again, out on the backs of the military salaries and healthcare. There are ways to do it that keep them strong as well.

LEVIN-EPSTEIN: In your own minority report on the President's Deficit Reduction Task Force, could you fill us in on whether or not you agreed with any changes at all being to Social Security and Medicare and whether your position is the same as it was back then?

SCHAKOWSKY: Well, I think that – first of all, Social Security really doesn't have any place in a deficit reduction discussion, because it has nothing to do with the deficit. Social Security has about a \$2.4 trillion trust fund right now. It's going to go up to \$4 trillion before it starts declining. And by 2037, unless you know depending on if the projections in economic growth are correct; you'll deplete the trust fund. But still Social Security, because it's pay-as-you-go, would pay about 75 percent of the benefits.

But we don't want that to happen, we don't want any cuts in Social Security. So we extend the life of Social Security? Right now, only \$106,000 in income do you pay into Social Security. So anybody who makes any more than that right now is not contributing to the trust fund through a payroll tax. And if we work to raise – scrap the cap you know but do something with the cap; that would make a huge difference.

So I am for – in a separate discussion, not a budget discussion, not a deficit discussion – talk about how we keep Social Security solvent. And you know I achieved long-term solvency without making any benefit cuts. And it is absolutely doable, and I think that's the right way to go, given the very low income and the great dependency that older Americans have on Social Security.

One more thing on Social Security is that with the disappearance of private pension plans, Social Security has been even more important for retirement benefits. And so it's not that people are going to need it less; they're going to need it even more, and because there's even lower wage jobs. Right now, we're in a downwardly mobile trend in this country. Hopefully that'll change. But Social Security is going to be more important in the years to come. We don't need to cut the benefits, or raise the age.

LEVIN-EPSTEIN: We have a question here from Tulsa, Oklahoma, from Martha Chambliss, who's with the Diocese of Tulsa and the Catholic Relief Services. I'm going to read her question in its entirety because it reflects a lot of the same kinds of questions other people are throwing in at the same time. So Martha writes, "My biggest obstacle is how to get those who should be leading on this issue engaged. How do I help clergy, lay leadership understand the importance of the potential budget cuts? How do I get them to understand that we will be called on to do even more as government-funded programs are cut, and this will have increased the load on our own strained budgets?"

SCHAKOWSKY: Well, as she knows well, the Catholic Charities and no private fund can make up for a lack of government funding. I mean all of our private foundations and institutions have to partner with government. It just means that people will get less. I participated in a fast on the budget that was led by the religious community, lots of leaders in the religious community. Here's what I think. I think putting a human face – you start talking about numbers, and people's eyes glaze over – but you start talking about real families, putting a face and a name to the problem that individual, real people will face.

It's much easier to understand that. And I think that's the kind of thing we need to do with the media as well is tell a story about someone, you know what the SNAP program may mean to a family, who had a job, lost a job, or perhaps were poor even before the recession hit and now are even in desperate straits. Homeless families, people waiting in line at a food pantry, who maybe even at one time were contributing money to that food pantry, now find themselves waiting for that bag of groceries to take home. I think we have so many, the people that are listening, have so many incredible and moving stories that can get us even further than a lot of the numbers that I mentioned.

LEVIN-EPSTEIN: Let me ask you one last question here, before we wrap, which is what do you know or what's your pulse on the resolve among those who favor healthcare reform in Congress to resist attempts to de-fund it?

SCHAKOWSKY: Well, I believe that we will be able to – I think the Affordable Care Act is going to stand. That's not to say there may not be ways in which we the Democrats are more than willing to hear reasonable ideas about changing it. But the fundamental principle of the Affordable Care Act is that healthcare is a right in the United States of America, and that we're going to make access to healthcare available to all Americans.

The President has already said that he would veto any bill that would repeal the healthcare act, so I feel actually quite optimistic. And as more and more of it gets rolled out and people see the benefits of it in their life, I think it will be harder and harder, actually, to repeal legislation. So I feel optimistic that the bill is going to prove itself and that it will not disappear.

LEVIN-EPSTEIN: Congresswoman, I misspoke. We do have a moment for one more question, and it has just come in from Sisters of Mercy of the Americas, Sister Regina McKillip, and she says that you just mentioned Social Security, but could you, in fact, expand on your solution regarding Medicare?

SCHAKOWSKY: You know I offered a number of changes to healthcare in general. First of all, when you look at the cost of Medicare or Medicaid, you really have to look at the cost of all healthcare, because they're all intertwined. You can't just look at the government program separately. But I actually did that, to some extent, in my alternative budget plan.

For example, if Medicare were to negotiate with pharmaceutical companies for lower drug prices, as the Veterans Administration does, it would save the government about \$24 billion every year. And of course, it would save Medicare beneficiaries a lot of money as well. They would be able to get their prescriptions for less, and you know that is one important way.

I also, in my budget, put a public option on the table that would be available when people choose from a healthcare exchange of a plan. They would be able to choose a public plan, which, again, has been estimating at saving tens of billions of dollars in healthcare costs by having this lower-cost option available to people. We incorporated in the Affordable Care Act a number of things that would actually reduce the cost, make Medicare more efficient. I know it sounds like some sort of joke to say, root out waste, fraud and abuse, but actually, when it comes to the Medicare program, doing that in a much more aggressive way would save billions of dollars. There is, in fact, in that program a good deal of waste, fraud and abuse, and that program, to weed it – root it out has been upgraded.

And so there are a number of ways to make our delivery system more efficient, less expensive. We're putting money into electronic records that also end up, at the end of the day, reducing the cost of healthcare because it makes it's so much easier to coordinate. So you know there are very innovative ways to bring down the per-person cost of health. The United States of America, we pay about twice as much per capita right now, as any other country in the world does, or at least industrialized country in the world. And so we can make our system much more efficient without simply slashing benefits.

LEVIN-EPSTEIN: Thank you, Congresswoman.

I'm now going to turn the floor over to Mike Laracy.

LARACY: Thanks so much to everyone for joining us. Please sign up for Spotlight and come back for our next audio call.

Take care.

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